

Summary

The Mexican port sector is in a very dynamic stage in its development. Mexican ports must improve efficiency and expand capacity to respond to the increasing demands generated by international trade. Mexico's Pacific Coast ports are especially interested in creating cost-effective alternatives to bypass the saturated U.S. ports of Long Beach, Los Angeles and San Francisco. There are numerous projects designed to move containerized shipments from China and other Asian sources through Mexico and into the central United States.

Mexican ports at the Pacific Coast

Mexico has 8 commercial ports in the Pacific coast:

Ensenada, State of Baja California
Topolobampo, State of Sonora
Guaymas, State of Sonora
Mazatlan, State of Sinaloa
Manzanillo, State of Colima
Lazaro Cardenas, State of Michoacan
Salina Cruz, State of Oaxaca
Puerto Chiapas, State of Chiapas

All of these ports handle cargo, although some focus mainly on domestic intra-port movement. Public institutions called Integral Port Administration (APIs) administer all eight ports. APIs report to the General Coordination of Ports of the Secretariat of Communications and Transportation. The APIs are responsible for preparing the Port Master Plan, assuring that port development is in compliance with plans and regulations, and for supervising services offered and fees charged by the private ports operators.

The port activities and services are granted in concession to private operators. Operators are responsible for building the infrastructure, purchasing the equipment and implementing the necessary processes to offer efficient services.

Main trends in the port sector

Mexican ports have faced a dramatic increase in cargo movement (containerized cargo in particular) since the enactment of NAFTA in 1994. There has also been an exponential increase of imports from Asian countries.

The increase in traffic coupled with the privatization of railroads in 1998, which brought the participation of international railroad corporations, switched the focus of Mexican logistics. It also opened up the sector to companies with capital to invest in infrastructure and equipment.

Port authorities and operators are looking at the forecasted saturation of U.S. West Coast ports as an opportunity to land cargo from China that is going to the U.S. or Canada. They are investing to expand capacity to be prepared for this opportunity.

As the potential to offer alternatives to U.S. ports is seen for ports that have facilities to move containers, most port projects on the Pacific Coast are in ports with existing container capacity, such as Ensenada, Guaymas, Lazaro Cardenas, Manzanillo, and Salina Cruz. Puerto Chiapas is positioning itself in the cruise market and for domestic or regional (Guatemala) cargo movement.

MAIN PORT PROJECTS

Port of Ensenada

- Container terminal operator Hutchinson Ports Holding (HPH) will invest U.S. 10 million to expand capacity to be able to handle 500,000 containers per year.
- Construction of a rail link to the U.S. rail system.
- Improvements to the cruise terminal.
- Construction of a liquid natural gas plant near the port, at a cost of U.S. 160 million.

Port of Guaymas

- Expanding the capacity of the container terminal.
- Establishing an intermodal corridor between Guaymas and Tucson to move containers coming from Asia to the U.S.

Port of Lazaro Cardenas

- Container terminal operator HPH announced an investment of over U.S. 200 million to build the first phase of a modern container terminal with 120 hectares of land and a capacity of 2 million TEUS. For this phase, HPH has awarded a joint contract for US 110 million to the companies Grupo Indi from Spain and Grupo HB from Mexico. The terminal will have two docks and 30 hectares of yards to handle 450 thousand containers and must be ready by September 2007. HPH already ordered 9 specialized cranes that will work in this terminal. The complete project to reach a 2 million containers capacity will require an investment of over US 700 million and should be ready by the year 2010.
- Custom authorities will build a high technology customs inspection facility in the port.
- The Port Administration (APILAC) is building a drawbridge to connect Lazaro Cardenas with port facilities in the neighboring State of Guerrero with an estimated investment of U.S. 44 million.
- The expansion of the power generation plant “Presidente Plutarco Elias Calles”. Current capacity is 2,100 megawatts and will be expanded to 2,800 megawatts, with an estimated investment between 500 and 700 million dollars.
- The rehabilitation of 3 water treatment plants at an estimated cost of U.S. 5 million.
- The establishment of an industrial tax-exempt area of 600 hectares.
- Kansas City Southern is planning to build a railroad terminal with an estimated investment of U.S. 120 million.
- A public bid has been opened to grant a concession to build and operate a facility focused on the environmentally friendly dismantling and recycling of commercial ships. This bid was published on April 25 and APILAC is in the process of selecting qualified interested companies to participate in the bid. Proposals will be opened on August 10 and 18, 2006.

- APILAC signed an agreement with the Dry Port Kelly USA in San Antonio, TX to start pilot programs to measure efficiency in moving containers from China to San Antonio. First 10 containers traveled from the Chinese Port of Ningbo to San Antonio, through Lazaro Cardenas, in 27 days.

Port of Manzanillo

- The container terminal operator SSA America is waiting to receive 14 hectares of land to expand its container yard. The provision of this land was considered in the contract for the terminal concession and SSA has a court decision to get this land.
- The Mexican government is planning to invest over 180 Million USD to build a natural gas refinery nearby.
- The railroad operator Ferromex is planning to reroute its rail line to take advantage of the new terminal and refinery.
- The API is planning to invest 5 million USD in reforestation and cleaning areas surrounding the new port terminal.
- The US Company Gypsum is investing 80 million USD in a plaster processing plant near Manzanillo to take advantage of the port.
- The further development of Manzanillo as a cruise ship destination, with the construction of a tourist wharf, hotels, and shopping centers.

Port of Salina Cruz

- The Port of Salina Cruz is now part of a large project to build an inter-oceanic intermodal corridor at the Isthmus of Tehuantepec. This project includes connecting the Ports of Salina Cruz and Coatzacoalcos, separated by the shortest distance between the Pacific and Gulf coasts, 302 kilometers by railroad and 319 by road.
- The Office of the Presidency is coordinating this project that will be opened for concession to interested parties. Estimated cost for the project is U.S. 1.5 billion, including the construction of a two-way, double-stack railroad.
- The concession will be part of a global regional development plan that will include investment and activities from the States of Oaxaca and Veracruz governments. The plan calls for the building of new highways to connect the intermodal corridor, electricity generation plants, and 146 different industrial projects. The respective states are committed to building the industrial, tourism and residential infrastructure necessary to support the potential demand generated by the project.
- The project coordinator has already received expressions of interest from several Mexican and foreign corporations interested in the concession rights to this project. If the project is developed, it is expected to move at least a 10 percent of the containers currently moving through Panama, which is about 1.5 million TEUS per year.

Port of Chiapas

- The Port Administration (API) will publish a bid to build a 4 thousand square meter yard for container handling. This yard will later be opened to companies interested in providing container-handling services to port clients.
- API recently awarded a concession to the company Terminales Latinoamericanas, S.A. to operate a container yard of 2 thousand square meters. Over the next 2 months, this company will need to purchase the equipment to handle an average of 600 containers per day.
- API is concluding negotiations to grant a 6 hectares land concession to build a minerals bulk terminal that will handle 1-2 million tons of minerals per year.

- API just concluded a contract with the Mexican cement company Cemex, which will build a plant to handle about 6-7 thousand tons of cement per month.
- API is in the process of obtaining the permits to have a tax-exempt area where in bond assembling and manufacturing companies will be allowed to import duty free for manufacturing/exporting activities. Some industries that have plans to be in this area are a tire renovation plant, a can manufacturing plant and assembling companies doing business with Guatemala and other Central American countries.

Project for a Port at Punta Colonet, Baja California

The Federal Government and the government of the State of Baja California are developing a plan to build a multi-billion dollar port in Baja California to accommodate the ever-increasing trade from Asia. They have identified Punta Colonet, located 50 mile south of Ensenada, as the best location to build a new port. The location is currently lacking infrastructure and population, both of which will increase with the construction of the port.

This project is being proposed in response to the inability of current ports to handle the amount of cargo being processed. Shipments from Asia have increased 15% annually and are expected to double by 2020 with China alone as responsible for over 50% of the increase. Forecasts indicate that the largest American ports, Los Angeles and Long Beach, won't have the capacity to deal with all of the shipping needs, increasing costs and decreasing efficiency. American importers, Asian exporters, and global shipping companies have all been pushing for port expansion on the Pacific coast.

The port at Punta Colonet, if built, would be exclusively focused on container movement for cargo coming from Asia for the American market. The port is projected to process a million containers annually, with a potential increase to 6 million within the next 15 years. It would be built over 27,000 acres, making it larger than Los Angeles or Long Beach. The cost for this project is estimated in U.S. 4-5 Billion, and is being pushed by Hutchinson Port Holdings, a Hong Kong based company, which is the world's largest terminal developer and operator.

Aside from the port itself, there will be a giant creation of infrastructure including roads, rail, an airport, public and private housing, a power plant, a natural gas receiving center, and a desalinization facility among other projections. These projects are estimated to cost over 20 Billion.

Current plans do not considerer using federal funds for this project, as the Mexican government would look for private investors, both foreign and domestic, interested in getting a concession to build and operate this port and would grant another concession for the construction and operation of the railroad from the port to Yuma, Arizona.

Mexican government sees this project as an opportunity to increase its competition with the American ports. Currently Mexico's largest port on the Pacific processes less than 1 million containers annually, dwarfed by the over 12 million containers processed by Los Angeles and Long Beach alone. Mexico also sees the port at Punta Colonet as a great opportunity for job production. 5,000 workers will need to be brought into to start the project, tripling Punta Colonet's current population, with an estimated 250,000 living in the area by the year 2025, thanks to the increase in infrastructure.

More details on these projects

For more details on the Mexican Pacific Coast ports and projects, please look for market research documents on specific ports published at the website: www.buyusa.gov/mexico

Each Mexican port has also a website with information in English and Spanish, where port's location, characteristics, available infrastructure, private operators, and projects can be consulted.

You can visit: e-mar.sct.gob.mx

Significance for U.S. exporters

All the mentioned project will offer excellent opportunities for U.S. exporters of products and services, as well as for companies interested in operating port facilities. Under NAFTA, all kinds of equipment can be imported duty free into Mexico. Interested parties should take advantage of this opportunity.

For more information

For more information on opportunities in the ports and transportation sectors in Mexico, please contact:

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